

# Final Internal Audit Report

## Housing Rents

### HS 110

### 2008-2009

**FROM:** Internal Audit

**TO:** Derek Streek, Head of Housing Management

**COPY TO:** Chris Kemp, Housing Manager – Area 2  
Christopher Greenwood, Acting Housing Manager – Area 1  
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**DATE:** 7 May 2009



## 1. INTRODUCTION & BACKGROUND

- 1.1 This internal audit review has been carried out in accordance with the Internal Audit Plan for the financial year 2008/09.
- 1.2 **Appendix A** shows the risks identified during the audit that we believe require consideration by management. They have been categorized in terms of priority and type of risk. Managers have carried out their own risk assessment in terms of impact and likelihood using the five point scale in the Appendix and shown what action they will be taking, if any, to manage the identified risks. These risk assessments have been plotted on a risk map below. Definitions are given of the four categories of audit assurance, which can be awarded, and the level of assurance for this audit is given below.
- 1.3 We would like to thank all staff involved for their assistance and co-operation throughout the review period.

## 2. SCOPE AND OBJECTIVES

### Scope

To review the systems and procedures in place relating to the administration and management of housing rents, including the Simdell rent module, and to identify any risks arising from the transition to unitary status.

### Objectives

The objectives of the audit are to seek assurance that:

- All properties are identified and accurately recorded in the rent accounting system.
- The gross rent and other charges have been correctly calculated in respect of each dwelling and correctly and promptly credited to tenants rent accounts.
- All rent collections are correctly and promptly credited to tenants rent accounts.
- All tenancy charges are correctly approved and recorded.
- Rent and service charges are correctly identified in the HRA and general fund and are subject to reconciliation between Simdell and the ledger.
- Effective procedures are in place to pursue and recover current and former tenant arrears including arrangements for liaison with Legal Services.
- Plans to integrate Simdell with SAP and risks arising during the transition to unitary status are being managed adequately.

**3. EXECUTIVE SUMMARY AND AUDIT OPINION**

- 3.1 The Internal Audit opinion for Housing rents is a **Substantive Assurance**. This means the system is basically sound but weaknesses may place the system objectives at risk.
- 3.2 Overall the systems in place are generally operating effectively and improved performance in recovering former tenant arrears is a notable achievement.
- 3.3 Nevertheless not pursuing current arrears debts promptly before they become unmanageable for some tenants, risks such debts becoming irrecoverable. We also found instances of arrears not being cleared before offering new tenancies.
- 3.4 There has been little movement in the total number of void properties when comparing records for May 2008 and January 2009 and there continue to be problems with management of voids. However, we acknowledge that adapting properties for special needs and 'difficult to let' properties are contributory factors. Void periods have marginally reduced.
- 3.5 As reported in last year's audit, there continue to be outstanding credit balances due to tenants which should be refunded promptly after housing benefit and other adjustments have been made to rent accounts.
- 3.6 The transition to Unitary status has involved a number of operational risks should business continuity and transitional arrangements fail, however the interfaces with the new SAP systems appear to be operating satisfactorily so far.
- 3.7 The key risks to the council identified as a result of the audit are shown in the following table together with the proposed actions. The risk map plots all the risks according to the manager's risk assessment against the council's risk appetite.

Risk Category	Risk	Proposed Management Action
1. Impact on People and Reputational	<b>Failure to monitor credit balances adequately results in overpayments of rent costs not being refunded to tenants and is poor customer service and accounting leading potentially to reputational damage.</b>	Area managers to remind staff to check credits.
2. Impact on People and Reputational	<b>Failure to refund credit balances to tenants promptly following housing benefit and other adjustments is poor customer service and risks reputational damage to the council.</b>	Area managers to remind staff to check credits.
3. Organisational Capability and Financial	<b>Failure by management to keep voids to a minimum will result in loss of rental income.</b>	Void process will continue to be monitored. Ability to be proactive on difficult to let properties restricted by introduction of choice based lettings.

Final Internal Audit Report - Housing Rents

4. Impact on People and Reputational	<b>Failure to close rent accounts promptly and transfer credit balances to tenants' new accounts is poor customer service and risks reputational damage.</b>	Area managers to remind staff to check credits.
5. Impact on People and Reputational	<b>Failure to reimburse the Housing Benefit account with overpayments of benefit represents poor accounting practice. Additionally, should Housing Benefit entitlement increase for a new tenancy, such practice could result in underpayment to the tenant's rent account.</b>	Area managers to remind staff to check credits.
6. Financial	<b>Failure to clear arrears owed before offering new tenancies risks creating unnecessary additional arrears.</b>	Area managers to remind staff to check arrears owed.
7. Financial	<b>Failure to pursue former and current tenants arrears consistently and effectively in accordance with current policy risks financial loss to the Council.</b>	Area Managers to continue to monitor arrears with staff and continue consistent improvement in performance.
8. Financial & Organisational Capability	<b>Failure to bring together large multiple debts owed to the Council e.g. rent and council tax, and manage them promptly on a corporate basis risks failure to effectively recover debts in full</b>	Head of Housing Management to contribute to development of corporate debt policy with other directorates.
9. Organisational Capability, Financial, Reputational and Impact on People	<b>Delays in the delivery, testing and installation of the Simdell FTP to the new income management system could result in having to use fallback arrangements, which in turn could encounter operational problems in the absence of business continuity plans to cover any wider SAP failures after 1 April 2009.</b>	No apparent problems since 1/4/09.
10. Organisational Capability, Financial, Reputational and Impact on People	<b>Failure to have effective and tested business continuity plans to cover SAP system failure could lead to serious operational penalties, health and safety risks, and reputational damage.</b>	No apparent problems since 1/4/09.

**RISK MAP SHOWING COUNCIL'S RISK APPETITE WITH MANAGER'S RISK ASSESSMENT OF ALL IDENTIFIED RISKS**

**Likelihood**

<b>Almost certain</b>					
<b>Highly Likely</b>					
<b>Likely</b>	1.2.3.4.5.6.8.	7.			
<b>Possible</b>					
<b>Rare</b>	9.10.				
	<b>Minor</b>	<b>Moderate</b>	<b>Significant</b>	<b>Major</b>	<b>Critical</b>

**Impact**

**Following the implementation of the proposed management actions it is Internal Audit's opinion that the improvement in internal control should reduce risk but not sufficiently to change the level of assurance.**

**Audit Performance Data**

Audit plan (days)	23
Actual days to final report	29
Start date of audit	13.11.2008
Date of draft report	13.03.2009
Date of management response	30.04.2009

## Findings

### 4.1 All properties are identified & accurately recorded in the rent accounting system.

#### Property database

- 4.1.1 A general review sample testing and enquiry of officers confirmed that:
- Properties shown as right to buy on the rent accounting system agree to the schedule of "Sold Council Houses and Other Housing Capital Receipts" maintained by Financial Services.
  - Taking account of sold properties, the total number of council properties recorded as live on 6 November 2008 was 5,379.

#### Closure of Right to Buy Rent Accounts

- 4.1.2 Testing showed that accounts are closed on a timely basis.

### 4.2 The gross rent and other charges have been correctly calculated in respect of each dwelling & correctly recorded in the tenants' rent accounts.

#### Rent Increases and Up-lift 2008-09

- 4.2.1 Testing has already been conducted on 2008-09 rent increases and up-lift as part of the 2007-08 audit review. As no anomalies or risks were identified, no further testing has been carried out for 2008-09 review.

#### Rent and Other Charges

- 4.2.2 A general review, sample testing and enquiry of officers confirmed that:
- All charges for new tenancies are correctly recorded on Simdell and therefore identified and checked.
  - The Rent Accounts Section is informed promptly of the start date of new tenancies and the rental charge applicable.

#### Closure of Rent Accounts

- 4.2.3 For a sample test of 10 closed accounts, each account was reviewed to verify whether the account was closed on a timely basis following the end of tenancy, and that any transactions occurring after that date were reversed on a timely basis.
- 4.2.4 Testing concluded that:
- Rental charges and other transactions that are entered onto rent accounts following closure are generally cleared on a timely basis as appropriate to the circumstances of the tenancy.
  - Account closures took between nil and 7 days and averaged 4.3 working days. This was shorter than last year when the average closure period was 7 days.

- Additional weeks' rent charges ranged from nil to 2 weeks rent with all such charges being off-set on a timely basis through either a transfer or a closure adjustment.
- Clearance of final account balances took between 16 and 60 working days, with an average time taken of 35 days.
- All accounts were satisfactorily cleared of all balances, however the risk identified in section 4.4.3 regarding credit balances on closed accounts should be noted.

#### **4.3 All rent collections are correctly & promptly credited to tenants' rent accounts.**

##### Reconciliation of Control Accounts

4.3.1 A general review, sample testing and enquiry of officers confirmed that:

- The Rent Accounts Transactions Summary (RATAS) is agreed to the Debit Analysis Summary Report (DASR) and the Account Transactions Summary Report (ATSR). All figures are supported by details contained on the Rents Interface Reports, as well as by other source documents.
- A small variation (£6.62) was identified between the weekly debit figure as reported on the RATAS with that reported on the DASR for week 31, 2008-09. This is not considered material and the existence of a variance, carried forward each week, has been noted in previous year' internal audit reports.
- Previous audits have pointed to the need for the weekly balancing to be overseen and signed off by a senior manager. Currently checking is still only undertaken between the Systems Administrator and the Accounts Officer. **We would recommend that a senior officer should review and sign off the weekly balance.**

##### Suspense Account

4.3.2 A general review, sample testing and enquiry of officers confirmed that:

- Initial review of the suspense account in December 2008 found that there had been some delay in clearing outstanding balances due to additional work priorities, however, further examination in February 2009 showed it has been reviewed on a more timely basis with most items being cleared within a week.
- As at 12 February 2009, the suspense account had a credit balance of £671.53. The majority of entries on the account related to cash office receipts posted to suspense on the previous two working days.
- Two longer-standing entries were found on the account which had not been cleared. These related to payments received via the internet where tenants had provided incorrect account details. We are satisfied that the necessary action has been taken in order to clear the anomalous entries as soon as possible.

##### Payroll Deductions for Rent Charges

## Final Internal Audit Report - Housing Rents

- 4.3.3 Testing conducted on transactions for November 2008, confirmed that rental payments made by tenant employees via payroll deductions are periodically checked against the rent accounts.

### Current Tenant Credit Balances

- 4.3.4 A comparison of current tenant credit balances shows that, since the end of the last financial year, current tenant credits have increased significantly.

<b>Current Tenants Credits</b>		
<b>Period</b>	<b>Balances</b>	<b>% Change</b>
01/2006	£166,215.27	
44/2006	£146,477.28	11.87 fall
January 2008	£100,218.87	31.58 fall
January 2009	£232,796.52	32.28 increase

<b>Current Tenant Credits</b>					
<b>Value Range £</b>	<b>Value £</b>	<b>% by Value</b>	<b>Number of Cases</b>	<b>% by Cases</b>	<b>% by Cases over £100</b>
> £1,000	7,854.25	3.37	5	0.15	0.92
£500-£999	18,973.45	8.15	29	0.85	5.35
£400-£499	16,178.89	6.95	37	1.10	6.83
£300-£399	39,118.86	16.80	113	3.33	20.85
£200-£299	32,550.22	13.98	133	3.92	24.54
£100-£199	32,649.09	14.02	225	6.63	41.51
<b>Total &gt;£100</b>			<b>542</b>		
<£100	85471.76	36.72	2,850	84.02	
<b>Total</b>	<b>232,796.52</b>	<b>100.00%</b>	<b>3392</b>	<b>100.00</b>	<b>100.00</b>

- 4.3.5 For January 2009, a total of 542 accounts were found to have a credit balance of over £100 with 5 cases being in excess of £1,000 (as indicated in the table above). A review of these 5 cases revealed that:

- All accounts examined held balances owing to tenants only one of whom had been offered a refund.
- Credits were due to payments exceeding rents, backdated housing benefit payments and, in one case, a large overpayment of rent apparently in error
- Relatively large credit balances due to tenants are not being notified or refunded to them promptly indicating poor monitoring of accounts.

Former Tenant Credit Balances

4.3.6 A comparison of former tenant credit balances shows that, since 12 months previously, former tenant credits have increased significantly in number by 55%, and in value by 53%.

Former Tenant Credits January 2008		
Value Range £	Value £	Number of Records
300-399	961.90	3
200-299	3,017.52	13
100-199	5,214.35	37
<100	6,599.97	261
<b>Total</b>	<b>15,793.74</b>	<b>314</b>

Former Tenant Credits January 2009					
Value Range £	Value £	% by Value	Number of Cases	% by Cases	% by Cases over £100
> £1,000	0	0.00	0	0%	0%
£500-£999	1,289.82	5.35	2	0.41%	2.67%
£400-£499	411.53	1.71	1	0.21%	1.33%
£300-£399	961.90	3.99	3	0.62%	4.00%
£200-£299	4,894.60	20.32	20	4.12%	26.67%
£100-£199	7,076.48	29.38	49	10.08%	65.33%
<b>Total &gt;£100</b>			<b>75</b>		
<£100	9,452.99	39.24	411	84.57%	
<b>Total</b>	<b>£24,087.32</b>	<b>100.00%</b>	<b>486</b>		

4.3.6 For January 2009, a total of 486 former tenants still showed a credit balance on their rent account. A review of the 5 highest credit balances found evidence of poor monitoring and customer service:

- One case related to a credit due to the executors of a tenant who had died in 2003.
- A second case shows a credit as still being due to a former tenant whose tenancy ended in December 2006.
- A third case has been outstanding since February 2008.
- A further case was found to relate to a debt that had been written off. However, the former tenant subsequently repaid the debt but as the written-off debt had not been reversed on the account, this resulted in a net credit balance. **This is poor accounting that distorts the correct financial position of the debt owed. The written off amount should be reversed to show the original debt less the repayment.**

**Risk 1**

**Failure to monitor credit balances adequately results in overpayments of rent costs not being refunded to tenants and is poor customer service and accounting leading potentially to reputational damage.**

### Refund of Credit Balances

4.3.7 For a sample of 10 rent refunds examined:

- All refunds were found to have been created for appropriate reasons.
- All refund requests were appropriately authorized and both Simdell and Agresso were updated on a timely basis.

4.3.8 However, one of the refund cheques was raised for the wrong amount resulting in a minor variance between Simdell and Agresso. The resultant error by Financial Services should have been identified through checks at the authorization stage of processing. **The tenant should have the amount in error credited to the account to correct this.**

4.3.9 Tenants receive a rent statement every 3 months and may request refunds if their account balance is in credit. However, instances of long-standing, sizable credit balances were found in 2 of the cases examined.

4.3.10 Review of credit balances is the responsibility of Neighbourhood Managers. Testing confirmed that monitoring of credit balances is poor, especially after Housing Benefit adjustments. These should have resulted in refunds being identified and paid sooner. **It is of particular importance to monitor the accounts of needy tenants to ensure they are offered refunds on a timely basis.**

### **Risk 2**

**Failure to refund credit balances to tenants promptly following housing benefit and other adjustments is poor customer service and risks reputational damage to the council.**

### Standing Order and Direct Debit Payments

4.3.11 Sample testing of standing order and direct debit receipts found that:

- All standing order payments examined were traced from their receipt in Paris to the appropriate Simdell account where they are automatically entered as a credit on the same day.
- All direct debit payments examined were correctly authorised and reflected in Simdell.
- Review of further unpaid debits confirmed that there was a satisfactory system in place to follow up cancelled transactions and adjust corresponding rent accounts accordingly.

**4.4 All tenancy changes are correctly approved & recorded.**

### Void Properties

4.4.1 A general review, sample testing and enquiry of officers confirmed that:

- All empty properties are recorded as void, and voids are adequately monitored through the voids database, which is an excellent source of management information.

- As at 23 January 2009, the Council had 61 void dwellings. This represents just over 1% of the total number of dwellings held (5,397). This position has not changed since testing was conducted in May 2008.
- All voids tested were empty due to routine changeover of either leased (TROUT) or Council properties (ROUT).
- As at 23 January 2009, void periods ranged from 2 to 221 days, with an average duration of vacancy being 42.9 days. This is a marginal reduction from 43.1 days in May 2008.
- Delays in re-letting a majority of properties are mainly due to the amount of redecoration or adaptation work required.
- Void periods for these cases ranged from 31 to 238 days (an average of 130.7 days) and the average loss of rental totalled £1,418.28.

4.4.2 Examination of the voids database, correspondence with Neighbourhood Managers and further checks of 10 properties in February 2009, found that:

- Although 6 of the properties had been re-let, 3 of the properties in particular were reported as 'difficult to let' due to their size or suitability and this was reflected in the number of rejections recorded on the Voids database. We are, however, satisfied, that continuous matching is exercised until a suitable candidate is found. A further property had been destroyed by fire rendering rental charges inapplicable.
- 3 of the properties indicated delays in issuing work to contractors (24, 50 and 60 days).

In discussion with senior managers, reference was made to unavoidable 'knock-on' delays that can sometimes occur when adaptations and redecoration has to await the special needs of new tenants e.g. facilities for the disabled. Such bespoke work can often add further delay in letting properties after a tenant has been found.

**Risk 3**

**Failure by management to keep voids to a minimum will result in loss of rental income.**

Closure of Rent Accounts

- 4.4.3 Although all rent accounts examined had been closed on a timely basis, and all accounts were satisfactorily cleared of all balances, none of the tenancies examined had a nil account balance at the account closure date.

**Risk 4**

**Failure to close rent accounts promptly and transfer credit balances to tenants' new accounts is poor customer service and risks reputational damage.**

Transfer of Account Balances

- 4.4.4 A general review, sample testing and enquiry of officers confirmed that:

- Rent accounts are closed on a timely basis following the end of the tenancy.
- Vacation of property forms match details on Simdell.

4.4.5 Testing of a random sample of 5 change of tenancies found that adjustments are not made to reimburse the Academy Housing Benefit account with housing benefit overpaid to tenants' rent accounts after the end of tenancy. Two of the cases examined showed that housing benefit credit balances had been transferred to tenants' new rent accounts whereas the amounts should have been reimbursed to the Housing Benefit account. This practice resulted in minor overpayments in both cases, because no overlap of Housing Benefit had occurred between the old and new accounts. **This is technically incorrect and is poor accounting practice.**

4.4.6 Results of testing also showed that new tenancies are still being let prior to old accounts being closed, as reflected in 3 of the 5 tested cases, although the remaining balances on the accounts examined were relatively minor (ranging from £7.67 to £160.02).

#### **Risk 5**

**Failure to reimburse the Housing Benefit account with overpayments of benefit represents poor accounting practice. Additionally, should Housing Benefit entitlement increase for a new tenancy, such practice could result in underpayment to the tenant's rent account.**

#### **Risk 6**

**Failure to clear arrears owed before offering new tenancies risks creating unnecessary additional arrears.**

**4.5 Rent and service charges are correctly identified within the HRA and general fund and are subject to reconciliation between Simdell and the ledger.**

4.5.1 Sample testing confirmed that all figures in respect of week 31 were traceable to the relevant journal, and all entries for HRA Rent Dwellings were input to the appropriate accountancy code within the ledger. All figures are input to the ledger weekly.

**4.6 Effective procedures are in place to pursue and recover current and former tenant arrears including arrangements for liaison with Legal Services.**

4.6.1 A general comparison of debt levels reported on the arrears database to prior years figures confirmed that:

- As at the date of testing in February 2009, current rent arrears had increased marginally in comparison to the same time last year by 4.34%.

## Final Internal Audit Report - Housing Rents

- Former tenant arrears were 13% below the levels found last year as were total debts relating Housing Rents. This reflects a good performance in this difficult area
- The net effect shows an overall reduction in debt (current and former tenants) in comparison to last year and a reduction in the number of cases.

<b>Former Tenant Arrears February 2009 (Week 46)</b>		
Value Range	Value £	Number of Records
> £2000	102,747.44	39
£1000-£2000	78,548.84	55
< £999*	..66,899.23	245
<b>Totals</b>	<b>248,195.51</b>	<b>339</b>

<b>Current Tenant Arrears February 2009 (Week 46)</b>		
Value Range	Value £	Number of Records
> £2000	17,951.59	7
£1000-£2000	65,717.93	47
< £999	426,145.76	2,507
<b>Totals</b>	<b>509,815.28</b>	<b>2,561</b>

<b>Comparison of Current and Former Tenant Arrears</b>					
Period	Current Arrears £	Former Arrears £	Total £	Difference £	%
Wk 44 2007	533,335.13	287,089.31	820,424.44	163,576.31	24.90
Wk 46 2008	488,600.96	285,361.00	773,961.96	46,462.48	5.66
Wk 46 2009	509,815.28	248,195.51	758,010.79	-15,951.17	-2.06
<b>Movement 08 to 09</b>	<b>21,214.31</b>	<b>-37,165.49</b>			
	<b>4.34%</b>	<b>-13.02%</b>			

4.6.2 However, testing has identified a number of inconsistencies in approach and anomalies regarding the methodology adopted in pursuing arrears.

### Former Tenant Arrears

4.6.3 Four cases amounting to the highest outstanding debts owed by former tenants (as at week 46, 2009) were examined.

Case 1. This involved a tenant currently resident in an SDC property with accumulated debts relating to two former council properties. In all, the outstanding balances total £5,116.08. In each case, the debt had not been paid off before the tenant moved on, nor was it transferred to the next tenancy account. No action has been taken since October 2008 to recover the original debt arrears when the bailiff was instructed to trace the tenant at the wrong address; no cross check had been made to Simdell to identify the tenant's current address or to join the case files for the separate properties. Action has been taken to recover the debt relating to the second property.

**These cases should have been pursued as a joint action and consolidated as a single case.**

Case 2. This involved a tenant currently resident in an SDC property with debts relating to a former SDC residency. Again the arrears from the former property has not been transferred or paid off before the new tenancy began. The current rent account is also in debit and the total rent owed on both former and current properties amounts to £4,549.94. Although an attachment of earnings order has been in effect since August 2008, only one payment of £10 has been received.

**We would recommend contacting this tenant's employer to establish the reason for non-payment and, if necessary, further legal action should be pursued.**

The other two cases were being dealt with satisfactorily.

#### Current Tenant Arrears

4.6.4 Four cases amounting to the highest outstanding debts owed by current tenants (as at week 46, 2008-2009) were examined and it was concluded that:

- Rent arrears policy has not been consistently applied in each case.
- There had been failure to respond to increasing debt in a timely manner which has resulted in excessive balances which the Authority will be hard pressed to recover.
- In each case examined, Neighbourhood Managers had failed to refer the cases to Legal Services in a timely manner. The delays identified ranged from 14 to 25 weeks. This resulted in excessive debt balances.
- Council Tax arrears had been pursued separately in each case at unnecessary additional cost in terms of time and resources to the Council.

4.6.5 Failure to adhere to policy and pursue debts in a timely manner and failure to refer cases to legal services for court action within a reasonable time, has resulted in cases of unnecessary and excessive arrears for both current and former tenants. Given the outstanding balances, it is realistic to conclude that these amounts may not be recovered in their entirety resulting in a notable loss of revenue to the Authority.

#### **Risk 6**

Refer to risk 6, paragraph 4.4.6 above.

#### **Risk 7**

**Failure to pursue former and current tenants arrears consistently and effectively in accordance with current policy risks financial loss to the Council.**

#### **Risk 8**

**Failure to bring together large multiple debts owed to the Council eg rent and council tax, and manage them promptly on a corporate basis, risks failure to effectively recover debts in full.**

**4.7 Plans to integrate Simdell with SAP and risks arising during the transition to unitary status are being managed adequately.**

4.7.1 A number of meetings and discussions were held with staff from SDC Housing, the BMP Team and the new Unitary EDPH unit to identify areas of concern relating to the future operation of the SDC Housing Simdell application which is central to a range of Housing operations in Salisbury and the new SAP system that is due to go live on 1 April 2009.

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4.7.2 Concerns centred on completion of work by the contractor BT to connect the Salisbury to 0044evizes leg of the network. This had been delayed until early February, but has now been completed. This should thereby ensure that staff are connected to the same IT network, wherever they work across the county.

Housing Rents - Interfacing between Simdell and the new SAP income management system.

4.7.3 The SDC Agresso Financial Management and Paris Income Management systems will be replaced by SAP Financial Management and Civica Income Management systems respectively. Civica are writing scripts for Simdell to read.

The view of the Financial Services' Systems Accountant is that implementing the new Civica system FTP with Simdell should be straightforward and not involve any major difficulties since it will have very similar characteristics to the existing Paris system. However, the timescale for writing the FTP and testing it in March is limited.

There remains, therefore, the operational risk that delays in delivering, testing and installing the FTP and delays with the SAP components could result in contingency arrangements being adopted. In this event, there are risks that the contingency arrangements using legacy systems could encounter operating problems.

**Risk 9**

**Delays in the delivery, testing and installation of the Simdell FTP to the new income management system could result in having to use fallback arrangements, which in turn could encounter operational problems in the absence of business continuity plans to cover any wider SAP failures after 1 April 2009.**

Housing Repairs System (HRS) - Future arrangements for raising repair invoices through Simdell under the new SAP Procurement system

4.7.4 Another area of concern has been the arrangements for raising invoices for Salisbury Housing repairs by contractors. The new SAP procurement system requires all invoices to be processed, matched and paid centrally by the new Shared Services Team (SST). Invoices for housing repairs by contractors raised on Simdell are currently processed in Salisbury, validated against repair inspector authorisations and paid locally. Transferring payment, validation and authorisation to the SST would involve a high level of liaison between Salisbury Housing and the SST; this is a major area for concern by

## Final Internal Audit Report - Housing Rents

Salisbury Housing staff. The capacity to continue to validate contracted repair work in Salisbury is seen as feasible by Salisbury Housing staff, however in the absence of a comprehensive scanning facility, there is a clear risk that the new system will result in delay in the payment of housing repair invoices to local contractors.

4.7.5 Following contacts with the EDPH change champion and BMP staff, a meeting was held in Salisbury with Rob Machen, a contracted business analyst. As a result of his subsequent work it was been agreed that:

- Quadron invoices for quarterly payments will need to be raised on the SAP SRM system and passed to and paid by the SST.
- Invoices raised on Simdell for other Housing repairs will be considered to be authorised transactions and will be paid by the SST but will come initially to Salisbury to be processed as they are currently.

4.7.6 This is a satisfactory outcome for Housing, as they are able to largely retain control over the issue, validation and payment of invoices, although a new interface would be employed to electronically authorise payment from Simdell through SAP and the SST.

4.7.7 An interface contingency plan has also been written that sets out procedures in the event of interface failure.

<b>Interface Contingency</b>			
Organisation	Salisbury District Council	Source	Simdell
Priority	Medium	Destination	SAP AP
SLA	<b>As soon as possible</b>		
<b>Summary</b>			
BMP to supply Simon Haugh with list of new vendors created in SAP following the migration. Simon Haugh to manually populate Simdell with vendor numbers. Solution to interface failure will be to request for manual input and processing of invoices. Request to be made by the District to the Shared Services Team (SST). Incumbent upon this is an understanding of the timescales to action invoices manually and to ensure that the SST is supplied with reports that hold all the data required to facilitate manual entry.			
<b>Procedure for dealing with Interface failure</b>			
<b>Issue</b>	<b>Contingent or Mitigation Actions</b>		<b>Owner</b>
New File not transmitted	If a file is not transmitted, manual transmission will be performed using FTP to the SAP servers in Bridge End		Simon Haugh
Old File produced	Two options are available if an old version of the file is produced. If the number of payments to be made is small, the file can be transmitted to the SST to enable manual entry to be performed otherwise the file can be reformatted to the new version and transmitted via FTP to the SAP servers in Bridge End		Simon Haugh
No file produced	If no file is produced two options are available. In either case, a report can be run from Simdell to extract the list of vendors due for payment. If this list is not large, it can be faxed to the SST for manual entry otherwise a file can be created akin to the format indicated in the specification. This will require the mapping of contractor code and cost codes to relevant SAP codes		Simon Haugh

## Final Internal Audit Report - Housing Rents

Business Issue with Interface File	Such issues will be reported to the named contacts by the Competency centre in the event of file failure. A business issue is likely to occur where the either gl/cost centres or SAP vendor numbers are invalid in Simdell. Simon will manually update the codes and vendor numbers as required. Whether the interface file is recreated or manually updated, it will need to be transmitted to the SAP servers via FTP	Simon Haugh
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- 4.7.8 Although this contingency plan caters for an interface failure, it does not cater for any delay beyond 1 April 2009 in the start-up of the new SAP system. Current concerns and risks relating to the completion of installation, connection and testing of the new systems could lead to operational failure and an inability to pay contractor's invoices for housing repairs by the new Council. This in turn could result in a lack of confidence by contractors and refusal to carry out critical and emergency repairs. There are no contingency or business continuity plans to cater for SAP failure after 1 April 2009.

### **Risk 10**

**Failure to have effective and tested business continuity plans to cover SAP system failure could lead to serious operational penalties, health and safety risks, and reputational damage.**

**APPENDIX A**

Every audit is awarded an 'Assurance' rating which relates to the efficacy of the systems of control examined during the audit. These are set out below:-

<b>Full Assurance</b>	The system of control is designed to achieve the system objectives and the key controls tested are effective.
<b>Substantive Assurance</b>	The system is basically sound but weaknesses may place the system objectives at risk.
<b>Limited Assurance</b>	There are weaknesses in the system of control, which place the system objectives at risk.
<b>No Assurance</b>	Control is weak and the system is open to the risk of abuse or error.

**The Manager's Risk Assessment and Action Plan**

The Audit Priority

This gives an indication of the relative importance of the control weakness and risks identified on a scale of \* to \*\*\*\*\*. This takes into account factors such as the corporate impact of the risk, financial materiality, the council's core values and service provision.

The Manager's Risk Assessment

This should be carried out for the risk identified in accordance with the council's risk management policy and thereafter form part of the unit's risk register. (**Impact:** Critical, Major, Significant, Moderate, Minor **Likelihood:** Almost certain, Highly likely, Likely, Possible, Rare)

The Proposed Management Actions

This should be completed for each risk or group of risks. Where no action is proposed then this should be clearly stated. For any actions, the risk owner, deadline and resource implications should then be identified in terms of High, Medium or Low.

Final Internal Audit Report - Housing Rents

Ref.	Risk	Audit Priority (* to *****)	Manager's risk assessment (Impact / Likelihood)	Proposed management action	Risk owner, deadline for action and resource implications (if any)
1. Impact on People and Reputational Risk Para 4.3.6	<b>Failure to monitor credit balances adequately results in overpayments of rent costs not being refunded to tenants and is poor customer service and accounting leading potentially to reputational damage.</b>	***	1/3	Remind staff to check credits	Area Managers/ immediate
2. Impact on People and Reputational Risk Para 4.3.10	<b>Failure to refund credit balances to tenants promptly following housing benefit and other adjustments is poor customer service and risks reputational damage to the council.</b>	***	1/3	Remind staff to check credits	Area Managers/ immediate
3. Organisational Capability and Financial Risk Para 4.4.2	<b>Failure by management to keep voids to a minimum will result in loss of rental income.</b>	****	1/3	Void process will continue to be monitored. Ability to be proactive on difficult to let properties restricted by introduction of choice based lettings	Area managers/ continuous
4. Impact on People and Reputational Risk Para 4.4.3	<b>Failure to close rent accounts promptly and transfer credit balances to tenants' new accounts is poor customer service and risks reputational damage.</b>	***	1/3	Remind staff to check credits	Area Managers/ immediate

Final Internal Audit Report - Housing Rents

<p>5. Impact on People and Reputational Risk  Para 4.4.6</p>	<p><b>Failure to reimburse the Housing Benefit account with overpayments of benefit represents poor accounting practice. Additionally, should Housing Benefit entitlement increase for a new tenancy, such practice could result in underpayment to the tenant's rent account.</b></p>	<p><b>***</b></p>	<p>1/3</p>	<p>Remind staff to check credits</p>	<p>Area Managers/ immediate</p>
<p>6. Financial Risk  Para 4.4.6 and 4.6.5</p>	<p><b>Failure to clear arrears owed before offering new tenancies risks creating unnecessary additional arrears.</b></p>	<p><b>****</b></p>	<p>1/3</p>	<p>Remind staff to check</p>	<p>Area Managers/ immediate</p>
<p>7. Financial Risk  Para 4.6.5</p>	<p><b>Failure to pursue former and current tenants arrears consistently and effectively in accordance with current policy risks financial loss to the Council.</b></p>	<p><b>****</b></p>	<p>2/3</p>	<p>Continue to monitor arrears with staff and continue consistent improvement in performance</p>	<p>Area managers/ continuous</p>
<p>8. Financial Risk &amp; Organisational Capability Risk  Para 4.6.5</p>	<p><b>Failure to bring together large multiple debts owed to the Council e.g. rent and council tax, and manage them promptly on a corporate basis risks failure to effectively recover debts in full.</b></p>	<p><b>*****</b></p>	<p>1/3</p>	<p>Corporate debt policy</p>	<p>Head of Housing Management with others?</p>

Final Internal Audit Report - Housing Rents

Ref.	Risk	Audit Priority (* to *****)	Manager's risk assessment (Impact / Likelihood)	Proposed management action	Risk owner, deadline for action and resource implications (if any)
9.Organisational Capability, Financial, Reputational and Impact on People Risks  Para 4.7.3	<b>Delays in the delivery, testing and installation of the Simdell FTP to the new income management system could result in having to use fallback arrangements, which in turn could encounter operational problems in the absence of business continuity plans to cover any wider SAP failures after 1 April 2009.</b>	<b>****</b>	1/1	No apparent problems since 1/4/09	Systems administrator
10.Organisational Capability, Financial, Reputational and Impact on People Risks  Para 4.7.9	<b>Failure to have effective and tested business continuity plans to cover SAP system failure could lead to serious operational penalties, health and safety risks, and reputational damage.</b>	<b>*****</b>	1/1	No apparent problems since 1/4/09	Systems administrator